

**Statement of Patricia R. Sheikh
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Mr. Chairman, members of the Commission, thank you for the opportunity to discuss the significant impact of China's entry into the World Trade Organization (WTO) on US agriculture and how the United States will effectively monitor China's WTO compliance.

On December 11, 2001, China became the 143rd member of the World Trade Organization (WTO), marking the culmination of protracted negotiations over the past 15 years. The integration of China into the global trade community offers timely benefits for US agricultural producers, processors, and exporters. With 1.3 billion people, one-fifth of the world's population, China's accession to the WTO gives US agriculture access to one of the world's largest and fastest growing economies. New export opportunities will emerge for a broad range of US agricultural products, including grains, meats, produce, cotton, and processed goods.

China's accession to the WTO dramatically cut import barriers currently imposed on American agricultural products. When fully implemented, USDA estimates that by 2005 China's WTO commitments could add approximately \$2 billion a year to US agricultural exports due to tariff reductions. Under the 1999 US-China bilateral access agreement, China agreed to cut tariffs by more than half on priority US agricultural products such as beef (from 40% to 12%), poultry (from 20% to 10%), cheese (from 50% to 12%), oranges (from 40% to 12%), apples (from 30% to 10%), wine (from 65% to 20%), and grapes (from 40% to 13%), to name a few.

With WTO entry, China also agreed to end its system of discriminatory licensing and import bans for bulk commodities, and to create market access opportunities by establishing a WTO-consistent tariff-rate quota (TRQ) system. China established larger and increasing TRQs for their state-traded commodities such as wheat, corn, cotton, rice, and soybean oil. China has also committed to low, within-quota tariffs of 1-3 percent for imports of bulk commodities which will help American farmers take full advantage of the TRQs. In addition, China committed to allow a share of the TRQs for each commodity to be imported by entities other than state-trading entities and agreed to specific rules for the administration of these TRQs. The introduction of private trade for these commodities-- combined with increased transparency in the process -- will ensure increased opportunities for American agricultural exports.

China committed not to use export subsidies for agricultural products when it joined the WTO. This commitment will level the playing field in third-country markets for US exports of corn, rice, and cotton -- which in the past have been displaced by unfairly traded Chinese exports.

On domestic support, China committed to cap any trade-distorting domestic support at 8.5 percent of its total value of agricultural production. China's subsidies to its agricultural

production are currently very low. In addition, China also committed to provide greater transparency to make its domestic support measures more predictable.

China has committed to fully abide by the terms of the WTO Agreement on Sanitary and Phytosanitary (SPS) Measures, which requires that all animal, plant, and human health import requirements be based on sound science -- not political agendas or protectionist concerns. Additionally, China and the United States agreed bilaterally on the terms for the removal of scientifically unjustified phytosanitary restrictions on imports of US wheat and other grains, citrus, and meat.

The China WTO accession agreement explicitly permits the US to continue to use its non-market anti-dumping methodology for 15 years after China's accession to the WTO. China also has committed to a strong product-specific safeguard that allows the United States for 12 years after accession to restrain increasing imports from China that cause or threaten market disruption. After that, current US safeguard provisions -- Section 201 -- will remain available to address increasing imports should that ever happen.

American farmers will benefit from expanded trading rights. Currently, only companies that receive specific authorization from the Chinese government are allowed to import into China. Under the agreement, China has committed to allow any entity to import most products into any part of the country within three years of accession. A select list of products will be partially exempt from this rule and some trade will be channeled through China's state-trading enterprises (including wheat, corn, rice, and cotton; state trading will be phased out for soybean oil). However, specific commitments to end monopoly import status have also been established. Additionally, China has committed to liberalize distribution services for all agricultural products, except tobacco, allowing US companies to distribute and market their products in China.

In short, American farmers will benefit from dramatically expanded market access opportunities. American farmers will realize enormous benefits in virtually every agricultural sector, including:

- **Grains.** China's offer for corn, wheat, and rice locks in important and long-term market access opportunities for American farmers. China also agreed to remove its import ban on wheat and other grains from the Pacific Northwest.
- **Oilseeds.** Under the WTO Agreement, China has bound tariffs at a low rate for soybeans (3%) and soybean meal (5%), and to eliminate quota limits, which will significantly increase future opportunities for US producers. Export prospects for soybean oil are also bright, as China phases out quantitative restrictions and liberalizes trade completely by 2006.
- **Pork.** China is the world's largest consumer of pork, but import barriers have effectively denied access to American pork products. Under the Agreement, China will reduce its tariffs on frozen pork and offal from 20% to 12% by 2004. This reduction in tariffs, along with China's agreement to eliminate unscientific barriers, will result in substantial marketing opportunities for high-quality and competitively priced US pork.

- **Beef.** By 2004, China will reduce its tariffs from 45% to 12% on frozen beef, and from 45% to 25% on fresh/chilled beef. While China currently imports a small quantity of beef, income growth and increased consumption among the urban populations should significantly increase demand for US beef.
- **Poultry.** China is already the second-leading market for US poultry exports. Under the Agreement, China will reduce tariffs from 20% to 10% -- which should create a significant, immediate impact on US exports.
- **Cotton.** China is the world's largest producer and consumer of cotton, accounting for 20-25% percent of the world's total in both categories. Under the Agreement, China will establish a large, low-duty TRQ for cotton with a substantial share reserved for private importers, which should lead to expanded US cotton sales.
- **Fruits.** China will cut tariffs on a number of fruits and fruit products exported by the United States, including citrus, apples, and grapes, and will be obliged to remove unjustified import bans. While China is a major producer of citrus and other fruits, US producers will benefit from access to this major market for high quality fruit varieties. China also made a bilateral commitment to lift its phytosanitary ban on imports of citrus fruit from California, Arizona, Texas, and Florida.
- **Others.** Agricultural commodities as diverse as wine, solid wood products, fishery products, tree nuts (including almonds), dairy items (especially cheese), snack foods, and other consumer-ready items, can all expect to benefit from China's WTO accession.

With China's membership in the WTO, under the protocol of accession we helped to negotiate, China agreed to undertake numerous trade-liberalizing commitments which will improve market access for US agriculture. We recognize that WTO implementation will present a major challenge, both for China and its trading partners. China will need to revamp its system, to rewrite and amend thousands of laws, rules, and regulations at the central government and provincial levels. This promises to be a long process given the complexity of the Chinese economy and import system.

With China, what seems to be the end of negotiations is often just the beginning. The effort to effectively monitor and enforce China's WTO commitments is taken seriously by the US Department of Agriculture (USDA). To ensure that China meets its new obligations, USDA is in the process of establishing a "China Task Force" to monitor China's compliance with its WTO commitments. The team will draw from expertise across the Department. Furthermore, we continue to work closely with our overseas posts and industry groups. We are currently planning consultations with China on their new biotechnology regulations to ensure that the new regulations do not stop trade. USDA considers this a high priority, given the importance of the Chinese market to US agricultural producers.

In conclusion, we strongly believe that the entry of China into the rules-based trading system of the WTO benefits US farmers and ranchers, exporters, manufacturers, and food processors. US

agriculture now has access to China's 1.3 billion consumers. To realize the potential benefits provided by China's WTO membership, USDA intends to aggressively monitor and enforce China's WTO commitments.